



Rockford, Michigan

Comprehensive Annual Financial Report

Year Ended
June 30, 2007

ROCKFORD PUBLIC SCHOOLS
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For the year ended June 30, 2007

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

November 13, 2007

The Board of Education
Rockford Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Rockford Public Schools (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Rockford Public Schools as of June 30, 2007, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2007 on our consideration of Rockford Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Rockford Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

As management of the Rockford Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 14,724,585	\$ 18,415,676
Capital assets, net book value	66,126,809	67,502,595
Total Assets	80,851,394	85,918,271
Liabilities		
Current liabilities	17,542,003	16,795,267
Long-term liabilities	89,994,840	98,801,714
Total Liabilities	107,536,843	115,596,981
Net Assets		
Invested in capital assets, net of related debt	(30,831,668)	(36,853,118)
Restricted	950,488	2,222,419
Unrestricted	3,195,731	4,951,989
Total Net Assets	\$ (26,685,449)	\$ (29,678,710)

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

The Statement of Activities presents changes in net assets from operating results:

	2007	2006
Program Revenues		
Charges for services	\$ 3,924,566	\$ 3,874,402
Operating grants	7,424,732	7,009,467
General Revenues		
Property taxes	19,363,420	18,202,150
State school aid, unrestricted	51,348,536	48,804,303
Interest and investment earnings	431,129	411,305
Gain on sale of capital assets	—	23,308
Other	680,417	704,070
Total Revenues	83,172,800	79,029,005
Expenses		
Instruction	42,980,119	39,806,152
Supporting services	25,757,497	24,244,671
Community services	2,218,857	2,284,657
Food service	2,036,299	2,082,069
Athletics	1,334,532	1,272,313
Other	—	22,805
Interest on long-term debt	5,728,904	6,020,309
Depreciation – unallocated	123,331	111,332
Total Expenses	80,179,539	75,844,308
Increase in net assets	2,993,261	3,184,697
Net Assets - Beginning of Year	(29,678,710)	(32,863,407)
Net Assets - End of Year	<u>\$(26,685,449)</u>	<u>\$(29,678,710)</u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in taxes and students contributed to a revenue increase. Fiscal 2007 was the third year for the assessment of the Parks and Recreation Millage and the increase in the county wide special education enhancement millage which together generated \$2.4 million.

The District's total revenues were \$83.17 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing 85% of the total. The remainder came from state and federal aid for specific programs, fees charged for services, interest earnings and other local sources.

The total cost of all programs was \$80.18 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (64 percent). The District's operation and maintenance services accounted for 9.6 percent of total costs.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Total revenues exceeded expenses by \$2,993,261 on the Statement of Activities, however, Unrestricted Net Assets decreased to \$3,195,731 at June 30, 2007.

The strength of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during challenging economic times. Despite the uncertainty of funding revenue from the State of Michigan, the District has been able to maintain a positive fund balance.

- The District has, for the sixth year, conducted a thorough budget analysis and has broken the budget down into specific components and the related expense. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Regular updates were provided to the Board of Education during the school year. As Board meetings are recorded, many community members received the same updated budget information.
- Board and Administration enjoys a professional relationship with the union groups employed by Rockford Public Schools. As a result, recent contract settlements include a switch to a more cost effective health insurance plan which reduced health care cost by approximately \$650,000 .
- A Spanish Immersion Program for grades K-5 has been implemented at the elementary level. The District was recently awarded a federal grant to support the language program.
- Board of Education implemented an energy conservation capital improvement project funded by the issuance of \$1.2 million Energy Conservation Improvement Bonds. The monies are for the purpose of upgrading equipment/systems for energy savings. This initiative will potentially save the district \$2.9 million in operational costs over the life of the bonds.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Rockford Public School's funds are described as follows:

Major Fund

- The General Fund is our primary operating fund. The General Fund had total revenues of \$68,104,590, other financing sources of \$380,718, total expenditures of \$69,790,034 and other financing uses of \$733,196. The General Fund ended the fiscal year with an undesignated fund balance of \$3,944,102, down from \$5,129,651 at June 30, 2006, due primarily to increases in special education expenses and operating costs.

Nonmajor Funds

- The Food Service Fund, which administers the hot lunch program of the District, had total revenues of \$2,047,542 and total expenditures of \$1,942,796 in 2006-07, increasing its fund balance to \$218,821 at June 30, 2007.
- The Athletics Fund, which administers the athletic program of the District, had total revenues of \$417,148, expenditures of \$1,150,344 and transfers from the General Fund of \$733,196 during the 2006-07 fiscal year. Fund balance at year end remained at zero.
- The District operates eight Debt Service Funds to finance the repayment of general obligation bonds. Total revenues were \$12,712,744, other financing sources were \$213,524, total expenditures were \$14,000,395 and other financing uses were \$213,524. The ending fund balances totaled \$1,771,469.
- The Scholarship Fund is operated as a Private Purpose Trust Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2007 totaled \$416,797.
- The Student Activities Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2007 totaled \$572,886.

General Fund Budgetary Highlights

Over the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Amendments made in January account for the final student enrollment which determined how much foundation grant state school aid were received during the fiscal year. Amendments also account for the changes in program costs that were made during the year.
- Final amendments made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

- The final budget for the General Fund anticipated the undesignated fund balance to be 6.6% of General Fund expenditures - the actual results equaled 5.65%.
- The actual decrease in fund balance was due to primarily to increased special education costs and other operational costs.

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the District had a \$108,631,117 investment in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

At June 30, 2007, the District's investment in capital assets (net of accumulated depreciation), was \$66,126,809. Capital asset purchases totaled \$1,692,048 for the fiscal year with accumulated depreciation increasing \$3,067,834, leaving a net reduction in the book value of capital assets of \$1,375,786.

The District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles and furniture and equipment is detailed as follows:

Land	\$ 1,962,840
Land improvements	1,413,034
Buildings and additions	56,483,432
Furniture and equipment	4,711,158
Vehicles	<u>1,556,345</u>
Net Capital Assets	<u><u>\$ 66,126,809</u></u>

The District's "investment in capital assets, net of related debt" is a negative \$30,831,668 at June 30, 2007, resulting from the fact that significant amounts of new technology-related equipment which fall under the \$5,000 capitalization threshold of the District were purchased with the proceeds of recent bond issues and the necessity of the District to borrow from the State of Michigan's School Bond Loan Fund to finance current principal and interest repayment requirements due to statutory limitations on debt service property tax levies.

Long-Term Debt

At year end, the District had \$97.7 million in general obligation bonds and other long-term debt outstanding – a net reduction of \$7.7 million from June 30, 2006.

The District bond rating for general obligation debt remains at "A3". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries. The District's other obligations include borrowings from school bond loan fund, installment purchase agreements, early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Voters with Rockford Public Schools approved a Park and Recreation Millage effective in June of 2004. This will result in annual revenue increase of approximately \$1,500,000 for the District in fiscal year 2007-08.
- Fiscal year 2007-08 foundation allowance has increased by \$96 for a total of \$7,204 per student.
- For every dollar paid to employees throughout the year, the District pays a percentage into the Michigan Public Schools Employee Retirement System (MPERS). The rising cost of this expense, controlled by the State, is a significant cause for concern into the future. In 2006-07, the District paid 17.74% of every dollar of payroll into the MPERS. This is projected to increase to nearly 19% in 2008-09.
- Beginning with the 2007-08 school year, the District was awarded a Foreign Language Assistance Program (FLAP) Grant in the amount of \$558,000 over a three-year timeframe. These grant monies will provide support to establish a Spanish Immersion program that has begun for grades K-1 and will expand to K-5. The grant monies will also provide support to Chinese language classes at the high school level beginning in 2007-08 and will expand to three full years of elective language offerings for high school students.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Rockford Public Schools, 350 N. Main Street, Rockford, 49341.

BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 1,204
Cash equivalents, deposits and investments (Note B)	4,683,988
Taxes receivable (Note C)	249,215
Accounts receivable	7,361
Due from other governmental units (Note C)	9,638,483
Accrued interest receivable	3,757
Inventory (Note A)	106,188
Prepaid expenses	34,389
Total Current Assets	<u>14,724,585</u>
Noncurrent Assets	
Capital assets (Note E)	108,631,117
Less accumulated depreciation	(42,504,308)
Total Noncurrent Assets	<u>66,126,809</u>
Total Assets	<u>80,851,394</u>
Liabilities	
Current Liabilities	
Accounts payable	2,350,513
State aid loan payable (Note F)	2,030,000
Due to other governmental units	1,050,341
Payroll withholdings payable	13,792
Accrued interest payable	991,508
Salaries payable	2,946,402
Deferred revenue	74,811
Current portion of long term obligations	8,084,636
Total Current Liabilities	<u>17,542,003</u>
Noncurrent Liabilities (Notes A, F)	
General obligation bonds payable	94,383,229
Durant non-plaintiff bonds payable	531,430
Energy conservation improvement bonds payable	1,140,000
Installment purchase agreements payable	518,461
Capital leases payable	12,936
Early retirement incentive	816,576
Accumulated sick leave	320,194
Unamortized bond premium	356,650
Current portion of long term obligations	(8,084,636)
Total Noncurrent Liabilities	<u>89,994,840</u>
Total Liabilities	<u>107,536,843</u>
Net Assets	
Invested in capital assets, net of related debt	(30,831,668)
Restricted for:	
Debt service	950,488
Unrestricted	3,195,731
Total Net Assets	<u><u>\$(26,685,449)</u></u>

See accompanying notes to basic financial statements.

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes In Net Assets
Governmental Activities				
Instruction	\$ 42,980,119	\$ 97,817	\$ 5,934,709	\$(36,947,593)
Supporting services	25,757,497	203,427	1,028,171	(24,525,899)
Community services	2,218,857	1,631,821	-	(587,036)
Food service	2,036,299	1,574,672	461,852	225
Athletics	1,334,532	416,829	-	(917,703)
Interest on long-term debt	5,728,904	-	-	(5,728,904)
Depreciation - unallocated	123,331	-	-	(123,331)
Total Governmental Activities	\$ 80,179,539	\$ 3,924,566	\$ 7,424,732	(68,830,241)
Taxes:				
Property taxes, levied for general operations				6,929,080
Property taxes, levied for debt service				12,434,340
State school aid, unrestricted				51,348,536
Interest and investment earnings				431,129
Other				680,417
Total General Revenues				71,823,502
Change in Net Assets				2,993,261
Net Assets - Beginning of Year				(29,678,709)
Net Assets - End of Year				\$(26,685,448)

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ROCKFORD PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash	\$ 1,150	54	\$ 1,204
Cash equivalents, deposits and investments (Note B)	2,698,596	1,985,392	4,683,988
Receivables:			
Taxes (Note C)	169,578	79,637	249,215
Accounts	-	7,361	7,361
Due from other funds (Note D)	117,477	112,644	230,121
Due from other governmental units (Note C)	9,638,483	-	9,638,483
Accrued interest receivable	-	3,757	3,757
Inventory (Note A)	34,861	71,327	106,188
Prepaid expenditures	34,389	-	34,389
Total Assets	<u>\$ 12,694,534</u>	<u>\$ 2,260,172</u>	<u>\$ 14,954,706</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 2,345,537	\$ 4,976	\$ 2,350,513
State aid anticipation loan payable (Note F)	2,030,000	-	2,030,000
Due to other funds (Note D)	57,644	172,477	230,121
Due to other units of government	1,048,090	2,251	1,050,341
Payroll withholdings payable	13,792	-	13,792
Accrued interest payable	75,119	-	75,119
Salaries payable	2,935,861	10,541	2,946,402
Deferred revenue	244,389	79,637	324,026
Total Liabilities	<u>8,750,432</u>	<u>269,882</u>	<u>9,020,314</u>
Fund Balances			
Reserved for:			
Debt service	-	1,771,469	1,771,469
Unreserved:			
Undesignated, reported in:			
General fund	3,944,102	-	3,944,102
Special revenue funds	-	218,821	218,821
Total Fund Balances	<u>3,944,102</u>	<u>1,990,290</u>	<u>5,934,392</u>
Total Liabilities and Fund Balances	<u>\$12,694,534</u>	<u>\$ 2,260,172</u>	<u>\$ 14,954,706</u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total governmental fund balances		\$ 5,934,392
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$108,631,117 and accumulated depreciation is \$42,504,308.		
		66,126,809
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		
		(356,650)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(94,383,229)	
Durant non-plaintiff bonds	(531,430)	
Energy conservation bonds	(1,140,000)	
Installment purchase agreements	(518,461)	
Capital leases	(12,936)	
Early retirement incentive	(816,576)	
Accumulated sick leave	(320,194)	
	<u>(97,722,826)</u>	
Accrued interest is not included as a liability in governmental funds.		(916,389)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		<u>249,215</u>
Total net assets - governmental activities		<u><u>\$(26,685,449)</u></u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	Nonmajor	Total
Revenues			
Local sources	\$ 9,793,174	\$ 14,715,582	\$24,508,756
State sources	51,797,746	93,418	51,891,164
Federal sources	1,571,307	368,434	1,939,741
Interdistrict sources	4,942,363	-	4,942,363
Total Revenues	<u>68,104,590</u>	<u>15,177,434</u>	<u>83,282,024</u>
Expenditures			
Current:			
Instruction	40,556,722	-	40,556,722
Supporting services	26,635,257	-	26,635,257
Community services	2,214,722	-	2,214,722
Food service	-	1,942,796	1,942,796
Athletics	-	1,150,344	1,150,344
Capital outlay	258	-	258
Debt service:			
Principal repayment	302,975	8,308,997	8,611,972
Interest and fiscal charges	80,100	5,691,398	5,771,498
Total Expenditures	<u>69,790,034</u>	<u>17,093,535</u>	<u>86,883,569</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,685,444)</u>	<u>(1,916,101)</u>	<u>(3,601,545)</u>
Other Financing Sources (Uses)			
Loan proceeds	380,718	-	380,718
Transfers in	-	946,720	946,720
Transfers out	(733,196)	(213,524)	(946,720)
Total Other Financing Sources (Uses)	<u>(352,478)</u>	<u>733,196</u>	<u>380,718</u>
Net Change in Fund Balances	<u>(2,037,922)</u>	<u>(1,182,905)</u>	<u>(3,220,827)</u>
Fund Balances, Beginning of Year	<u>5,982,024</u>	<u>3,173,195</u>	<u>9,155,219</u>
Fund Balances, End of Year	<u><u>\$ 3,944,102</u></u>	<u><u>\$ 1,990,290</u></u>	<u><u>\$ 5,934,392</u></u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ (3,220,827)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 1,692,048	
Depreciation expense	<u>(3,067,834)</u>	(1,375,786)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (126,861)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (385,336)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue 17,637

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:

Repayment of general obligation bonds	6,483,664	
Repayment of energy conservation improvement bonds	60,000	
Repayment of state school bond loan	1,825,333	
Repayment of installment purchase agreements	242,975	
Repayment of capital leases	<u>12,936</u>	8,624,908

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues, regardless of when it is paid. 47,211

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$744,417) exceeded the amounts used/paid (\$156,732). (587,685)

Total changes in net assets - governmental activities \$ 2,993,261

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$10,973,914	\$ 9,713,180	\$ 9,793,174	\$ 79,994
State sources	50,909,491	51,678,454	51,797,746	119,292
Federal sources	1,526,909	1,563,618	1,571,307	7,689
Interdistrict sources	4,643,127	5,139,388	4,942,363	(197,025)
Total Revenues	68,053,441	68,094,640	68,104,590	9,950
Expenditures				
Current:				
Instruction:				
Basic programs	32,505,482	33,653,386	33,770,397	(117,011)
Added needs	6,759,833	6,628,412	6,683,658	(55,246)
Adult education	152,131	40,651	102,667	(62,016)
Supporting services:				
Pupil services	1,442,357	3,560,664	3,704,285	(143,621)
Instructional staff services	2,079,271	2,776,435	2,768,555	7,880
General administrative services	678,950	657,634	586,411	71,223
School administrative services	4,068,145	3,956,356	4,033,856	(77,500)
Business services	1,266,911	1,102,355	1,166,889	(64,534)
Operation and maintenance services	8,599,162	8,254,079	7,733,810	520,269
Pupil transportation services	2,714,256	3,983,586	4,475,229	(491,643)
Central services	2,035,783	1,670,555	2,166,222	(495,667)
Community services	1,691,151	2,528,330	2,214,722	313,608
Capital outlay	-	-	258	(258)
Debt service:				
Principal repayment	434,137	302,975	302,975	-
Interest and fiscal charges	37,499	79,800	80,100	(300)
Interdistrict	3,402,448	-	-	-
Total Expenditures	67,867,516	69,195,218	69,790,034	(594,816)
Excess (Deficiency) Of Revenues Over Expenditures	185,925	(1,100,578)	(1,685,444)	(584,866)
Other Financing Sources (Uses)				
Loan proceeds	-	448,754	380,718	(68,036)
Transfers out	(731,651)	(730,699)	(733,196)	(2,497)
Other	-	-	-	-
Total Other Financing Sources (Uses)	(731,651)	(281,945)	(352,478)	(70,533)
Net Change in Fund Balances	(545,726)	(1,382,523)	(2,037,922)	(655,399)
Fund Balances, July 1	5,982,024	5,982,024	5,982,024	-
Fund Balances, June 30	\$ 5,436,298	\$ 4,599,501	\$ 3,944,102	\$ (655,399)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash equivalents, deposits and investments (Note B)	<u>\$ 416,797</u>	<u>\$ 572,886</u>
Liabilities		
Due to student groups	<u>-</u>	<u>\$ 572,886</u>
Net Assets		
Held in trust for: Individuals and organizations	<u>\$ 416,797</u>	

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 13,900
Donations	83,958
Total Additions	<u>97,858</u>
Deductions	
Endowment activities - scholarships	<u>47,523</u>
Change In Net Assets	50,335
Net Assets, Beginning of Year	<u>366,462</u>
Net Assets, End of Year	<u><u>\$ 416,797</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

Rockford Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 7,968 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Rockford Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

deficit. Rockford Public Schools has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Rockford Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Associate Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them. These amendments were not significant to the total budgets.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2007 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2007, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$816,576 and \$320,194, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:
Governmental activities

\$ 4,683,988

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Fiduciary Funds:

Trust and Agency Funds

989,683

\$ 5,673,671

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

- | | |
|---------------------------------|--------------------|
| 1. Independent Bank | 4. Choice One Bank |
| 2. Fifth Third Bank | 5. Flagstar Bank |
| 3. Chase J.P. Morgan Bank, N.A. | 6. Mercantile Bank |

Cash equivalents consist of bank public funds checking and savings accounts. Deposits consist of certificates of deposit.

June 30, 2007 balances are detailed as follows:

Cash equivalents and deposits

\$ 895,826

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$895,826 and the bank balance was \$921,070. Of the bank balance, \$328,352 was covered by federal depository insurance and \$592,718 was uninsured.

Investments

As of June 30, 2007 the District had the following investments:

Investment Pool Accounts:

Michigan Liquid Asset Fund Plus

Fair Value

\$ 4,777,845

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the Michigan Liquid Asset Fund investment pool were unrated.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2006 ad valorem State Education Taxes generated within the Rockford Public School District, and paid to the State of Michigan, totaled \$8,677,742.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2006 and September, 2006. The 2006-07 "Foundation Allowance" for Rockford Public Schools was \$7,085 for 7,927 "Full Time Equivalent" students, generating \$51,843,332 in state aid payments to the District of which \$8,666,687 was paid to the District in July and August, 2007 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the City of Rockford and the Townships of Algoma, Cannon, Courtland, Grattan, Oakfield and the Charter Township of Plainfield, and are due 75 days after levy dates. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General	Debt Service	Total
2006	\$ 17,415	\$ 9,940	\$ 27,355
2005	61,892	29,839	91,731
2004	90,271	39,858	130,129
	<u>\$ 169,578</u>	<u>\$ 79,637</u>	<u>\$ 249,215</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

As Rockford Public Schools' electors had previously (September 24, 1991) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2006.

The District levied a .9949 recreation millage and 8.50 mills for debt service purposes in 2006, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value (at December 31) by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivables and payables for year end expenditure allocations not reimbursed at June 30, 2007 are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
Major Fund		
General Fund:		
Food Service Fund	\$ 86,559	\$ 17,228
Athletics Fund	30,918	40,416
	<hr/>	<hr/>
Total Major Fund	117,477	57,644
	<hr/>	<hr/>
Nonmajor Funds		
Food Service Fund:		
General Fund	17,228	86,559
Athletics Fund:		
General Fund	40,416	30,918
Debt Service Funds:		
1990 Debt Fund:		
1997 Debt Fund	48,000	—
1997 Debt Fund:		
1990 Debt Fund	—	48,000
2006(A) Debt Fund	—	7,000
2006(A) Debt Fund:		
1997 Debt Fund	7,000	—
	<hr/>	<hr/>
Total Nonmajor Funds	112,644	172,477
	<hr/>	<hr/>
Total All Funds	<u>\$ 230,121</u>	<u>\$ 230,121</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Transfers between funds during the year ended June 30, 2007 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
General Fund:		
Athletics Fund	\$ —	\$ 733,196
Nonmajor Fund		
Athletics Fund:		
General Fund	733,196	—
Debt Service Funds:		
1996 Debt Fund:		
2006(A) Debt Fund		
2006(B) Debt Fund	—	108,993
2006(A) Debt Fund:	—	31
1996 Debt Fund	31	—
2006(B) Debt Fund	104,500	—
2006(B) Debt Fund:		
1996 Debt Fund	—	104,500
2006(B) Debt Fund	108,993	—
Total Nonmajor Funds	946,720	213,524
Total All Funds	<u>\$ 946,720</u>	<u>\$ 946,720</u>

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year. Debt Service transfers were made to close out inactive funds and reallocate balances.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balances July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2007</u>
Capital assets not depreciated:				
Land	\$ 1,962,840	\$ —	\$ —	\$ 1,962,840
Capital assets being depreciated:				
Land improvements	4,443,706	—	—	4,443,706
Buildings and additions	85,789,123	—	—	85,789,123
Furniture and equipment	10,894,690	1,284,730	—	12,179,420
Vehicles	4,136,826	407,318	288,116	4,256,028
Totals at historical cost	<u>107,227,185</u>	<u>\$1,692,048</u>	<u>\$ 288,116</u>	<u>108,631,117</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

	Balances July 1, 2006	Additions	Deductions	Balances June 30, 2007
Less accumulated depreciation for:				
Land improvements	\$ 2,821,404	\$ 209,268	\$ —	3,030,672
Buildings and additions	27,280,564	2,025,127	—	29,305,691
Furniture and equipment	6,941,830	526,432	—	7,468,262
Vehicles	2,680,792	307,007	288,116	2,699,683
Total accumulated depreciation	39,724,590	\$3,067,834	\$ 288,116	42,504,308
Net Capital Assets	\$ 67,502,595			\$ 66,126,809

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,963,669
Supporting services	654,966
Community services	3,738
Food service	92,670
Athletics	229,460
Unallocated	123,331
	<u>\$ 3,067,834</u>

Note F – Short-term Debt

On August 18, 2006, the District repaid the \$2,840,000 August 19, 2005 State aid anticipation loan. On August 18, 2006 the District borrowed \$2,030,000, for cash flow purposes, in anticipation of State aid (interest at 3.68%) due in full on August 20, 2007. Total interest expense on the loans was \$82,126 for the fiscal year.

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2007 are summarized as follows:

	Bond Issues	Capital Leases/ Installment Purchase Agreements	Early Retirement Incentive/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt				
Debt Service Funds	\$ 1,771,469	\$ —	\$ —	\$ 1,771,469
Amounts To Be Provided For Retirement Of Long-Term Debt				
State of Michigan	531,430	—	—	531,430
General Fund	1,140,000	531,397	1,136,770	2,808,167
Debt Service Funds	92,611,760	—	—	92,611,760
Total Amounts Available and To Be Provided	\$96,054,659	\$ 531,397	\$ 1,136,770	\$97,722,826

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Changes in long-term debt for the year ended June 30, 2007 are summarized as follows:

	Debt Outstanding July 1, 2006	Debt Added	Debt Retired	Debt Outstanding June 30, 2007
General obligation bonds:				
February 22, 1990	\$ 1,066,893	\$ —	\$ 293,664	\$ 773,229
August 1, 1997	6,150,000	—	1,950,000	4,200,000
February 15, 2002	12,285,000	—	10,000	12,275,000
March 13, 2002	30,750,000	—	1,320,000	29,430,000
March 3, 2005	34,875,000	—	25,000	34,850,000
March 7, 2006 – Series A	2,305,000	—	205,000	2,100,000
March 7, 2006 – Series B	13,435,000	—	2,680,000	10,755,000
Durant non-plaintiff bonds:				
November 13, 1998	531,430	—	—	531,430
Energy conservation improvement bonds:				
May 22, 2006	1,200,000	—	60,000	1,140,000
State school bond loan	1,820,715	4,618	1,825,333	—
Installment purchase agreements	380,718	380,718	242,975	518,461
Capital leases	25,872	—	12,936	12,936
Early retirement incentive – voluntary	—	528,576	—	528,576
Early retirement incentive – contractual	253,000	109,000	74,000	288,000
Accumulated sick leave	296,085	106,841	82,732	320,194
	<u>\$ 105,374,713</u>	<u>\$ 1,129,753</u>	<u>\$ 8,781,640</u>	<u>\$ 97,722,826</u>

Long-term bonds, installment purchase agreements and capital leases outstanding at June 30, 2007 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$12,222,462 1990 Building and Site Refunding:				
Annual maturities of \$283M to \$490M	May 1, 2009	8.10	\$ 773,299	\$ 283,044
\$66,500M 1997 Building and Site:				
Annual maturities of \$2,050M to \$2,150M	May 1, 2009	6.50	4,200,000	2,050,000
\$12,300M 2002 General Obligation Refunding:				
Annual maturities of \$10M to \$2,630M	May 1, 2014	3.75 - 5.00	12,275,000	10,000
\$34,880M 2002 General Obligation Refunding:				
Annual maturities of \$330M to \$3,055M	May 1, 2019	3.75 - 5.00	29,430,000	1,325,000
\$34,875M 2005 General Obligation Refunding:				
Annual maturities of \$25M to \$2,780M	May 1, 2027	2.75 - 5.00	34,850,000	25,000
\$2,305M 2006 General Obligation Refunding Series A:				
Annual maturities of \$145M to \$195M	May 1, 2020	3.75 - 5.00	2,100,000	195,000
\$13,435M 2006 General Obligation Refunding Series B:				
Annual maturities of \$3,570M to \$4,010M	May 1, 2010	4.00 - 4.763	10,755,000	3,750,000

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Durant Non-plaintiff Bonds				
\$900,023 1998 Durant School Improvement: Annual maturities of \$50,089 to \$313,573	May 15, 2013	4.761353	\$ 531,430	\$ —
Energy Conservation Improvement Bonds				
\$1,200M 2006 Improvement: Annual maturities of \$60M to \$105M	May 1, 2021	4.25 – 4.45	1,140,000	60,000
Installment Purchase Agreements				
\$380,718 2005 School Buses: Annual maturities of \$123M to \$131M	July 25, 2008	3.22	257,800	126,875
\$380,718 2006 School Buses: Annual maturities of \$120M to \$134M	June 22, 2009	5.59	260,661	126,781
Capital Leases				
\$64,680 2003 Equipment: Monthly installments of \$1,078	July 15, 2008	N/A	12,936	12,936
			<u>\$96,586,056</u>	<u>\$ 7,784,636</u>

The annual requirements to pay principal and interest on long-term bonds, installment purchase agreements and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 7,771,700	\$ 5,446,062	\$ 13,217,762
2009	6,733,015	5,953,699	12,686,714
2010	9,112,472	3,889,692	13,002,164
2011	5,279,971	3,467,587	8,747,558
2012	5,688,573	3,312,517	9,001,090
2013	5,565,325	2,938,840	8,504,165
2014	5,620,000	2,689,512	8,309,512
2015	5,780,000	2,437,826	8,217,826
2016	5,865,000	2,162,035	8,027,035
2017	5,925,000	1,879,523	7,804,523
2018	5,950,000	1,624,466	7,574,466
2019	5,980,000	1,360,360	7,340,360
2020	2,920,000	1,063,309	3,983,309
2021	2,760,000	919,172	3,679,172
2022	2,640,000	781,750	3,421,750

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Year Ended June 30	Principal	Interest	Total
2023	\$ 2,630,000	\$ 649,750	\$ 3,279,750
2024	2,615,000	518,250	3,133,250
2025	2,600,000	387,500	2,987,500
2026	2,585,000	257,500	2,842,500
2027	2,565,000	128,250	2,693,250
	<u>\$ 96,586,056</u>	<u>\$41,867,600</u>	<u>\$138,453,656</u>

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2007 was \$38,298,115. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 16.34% for the fiscal year ending September 30, 2006 and 17.74% for the fiscal year beginning October 1, 2006. The District's contributions to the plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$6,725,909, \$5,984,052 and \$5,170,654, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2005 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$48,206. The MPERS' net assets available for benefits on that date were \$38,211 leaving an unfunded pension benefit obligation of \$9,995. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2006 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,462 from September 30, 2004 to September 30, 2005. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note I – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$251,967 in premiums to the Trust for the year ended June 30, 2007.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with 19 districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of an \$800,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2007, there were no material pending claims against the District. The District paid \$264,112 in premiums to the Fund for the year ended June 30, 2007.

Health, life, and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures and other financing uses exceed final budgeted amounts for the year ended June 30, 2007, as follows:

	Budget	Actual	Unfavorable Variance
General Fund	\$ 69,925,917	\$ 70,523,230	\$ 597,313
Special Revenue Fund			
Athletics Fund	1,123,512	1,150,344	26,832

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 1,150	\$ 1,050
Cash equivalents, deposits and investments	2,698,596	4,190,728
Receivables:		
Taxes	169,578	257,348
Accounts	-	26,563
Due from other funds	117,477	320,742
Due from other governmental units	9,638,483	10,054,430
Inventory	34,861	32,228
Prepaid expenditures	34,389	282,664
Total Assets	<u><u>\$ 12,694,534</u></u>	<u><u>\$ 15,165,753</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,345,537	\$ 1,434,275
State aid anticipation loan payable	2,030,000	2,840,000
Due to other funds	57,644	64,124
Due to other units of government	1,048,090	1,186,902
Payroll withholdings payable	13,792	42,547
Accrued interest payable	75,119	82,698
Salaries payable	2,935,861	2,814,387
Deferred revenue	244,389	718,796
Total Liabilities	<u>8,750,432</u>	<u>9,183,729</u>
Fund Balances		
Reserved for capital outlay	-	852,373
Unreserved:		
Undesignated	3,944,102	5,129,651
Total Fund Balances	<u>3,944,102</u>	<u>5,982,024</u>
Total Liabilities and Fund Balances	<u><u>\$ 12,694,534</u></u>	<u><u>\$ 15,165,753</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	2007	2006
Local sources:		
Property taxes:		
Operating	\$ 5,503,329	\$ 5,200,701
Recreation	1,438,600	1,337,825
Industrial facilities taxes	18,492	18,110
Delinquent property taxes	27,585	24,658
Other property taxes	14,678	31,275
Interest on delinquent taxes	14,166	13,714
	<u>7,016,850</u>	<u>6,626,283</u>
Interest earnings:		
Interest on investments	180,479	211,385
Other local revenue:		
Adult/community education fees	1,373,637	1,304,085
Driver education fees	97,817	95,760
Transportation testing fees	61,317	56,896
Child care fees	258,184	257,348
Third party testing	77,286	64,631
Beverage consortium commissions	160,759	155,613
Sale of school property	13,090	23,308
Rental of school facilities	178,665	161,832
Donations	137,408	560,396
Universal service credit	64,824	68,859
Refunds of prior year expenditures	152,699	178,211
Miscellaneous	20,159	3,453
	<u>2,595,845</u>	<u>2,930,392</u>
Total local sources	9,793,174	9,768,060
State sources:		
State school aid	51,750,114	49,156,869
School improvement	-	3,915
FICA/retirement reimbursement	47,632	47,632
	<u>51,797,746</u>	<u>49,208,416</u>
Total state sources		
Federal sources:		
Title I	261,631	257,031
Title IIA	161,444	162,431
Title IID	2,680	9,543
Title III	2,537	-
Title V	1,667	5,175
I.D.E.A. program	1,111,878	1,083,693
Drug free schools	13,411	16,850
Child care food program	6,564	6,914
SPSR Grant	5,490	-
Medicaid - school based	4,005	3,489
	<u>1,571,307</u>	<u>1,545,126</u>
Total federal sources		

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Interdistrict sources:		
Special education - county	\$ 3,558,151	\$ 3,202,307
Special education - tuition	146,902	116,339
Special education - transportation	905,113	881,796
Special education - itinerants	123,058	151,613
Durant settlement reimbursement	16,510	36,284
Medicaid fee for service	190,020	182,151
Other	<u>2,609</u>	<u>2,128</u>
Total interdistrict sources	<u>4,942,363</u>	<u>4,572,618</u>
 Total Revenues	 <u><u>\$ 68,104,590</u></u>	 <u><u>\$ 65,094,220</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 9,651,126	\$ 9,327,384
Employee benefits	4,575,532	4,195,767
Purchased services	206,334	11,228
Supplies	242,811	194,476
Capital outlay	32,637	48,057
	<u>14,708,440</u>	<u>13,776,912</u>
Middle school:		
Salaries	5,355,606	5,104,861
Employee benefits	2,561,777	2,388,039
Purchased services	84,308	19,229
Supplies	112,425	123,002
Capital outlay	3,659	11,317
	<u>8,117,775</u>	<u>7,646,448</u>
High school:		
Salaries	6,936,464	6,703,665
Employee benefits	3,480,338	3,077,117
Purchased services	215,686	105,599
Supplies	172,189	162,287
Capital outlay	21,724	35,615
Miscellaneous	4,507	5,835
	<u>10,830,908</u>	<u>10,090,118</u>
Preschool:		
Salaries	48,537	43,361
Employee benefits	19,085	16,884
Purchased services	31,854	15,392
Supplies	3,145	2,445
	<u>102,621</u>	<u>78,082</u>
Summer school:		
Salaries	8,645	6,820
Employee benefits	2,008	1,634
	<u>10,653</u>	<u>8,454</u>
Total basic programs	<u>33,770,397</u>	<u>31,600,014</u>
Added needs:		
Special education:		
Salaries	3,523,146	3,347,525
Employee benefits	1,703,293	1,520,816
Purchased services	41,539	5,932
Supplies	26,333	23,704
Capital outlay	4,596	-
Miscellaneous	3,784	-
Payments to other districts	536,827	-
	<u>5,839,518</u>	<u>4,897,977</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Compensatory education:		
Salaries	\$ 538,859	\$ 549,049
Employee benefits	229,727	214,720
Purchased services	33,988	31,422
Supplies	1,459	10,971
	<u>804,033</u>	<u>806,162</u>
Vocational education:		
Salaries	350	2,805
Employee benefits	89	616
Purchased services	7,132	7,026
Supplies	14,195	12,255
Capital outlay	18,341	19,446
	<u>40,107</u>	<u>42,148</u>
Total added needs	6,683,658	5,746,287
Adult education services:		
Basic:		
Salaries	74,208	24,086
Employee benefits	22,418	4,915
Purchased services	1,612	107,760
Supplies	3,906	3,799
Miscellaneous	523	72
Total adult education services	<u>102,667</u>	<u>140,632</u>
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	793,591	833,621
Employee benefits	401,864	382,847
Purchased services	10,139	11,806
Supplies	2,154	3,839
Capital outlay	-	173
	<u>1,207,748</u>	<u>1,232,286</u>
Occupational therapist services:		
Salaries	73,815	70,126
Employee benefits	50,267	46,317
Purchased services	5,392	15,093
Supplies	5,379	6,750
Capital outlay	-	3,334
Miscellaneous	270	-
Payments to other districts	284,706	-
	<u>419,829</u>	<u>141,620</u>
Psychological services:		
Employee benefits	520	1,268
Purchased services	1,085	3,747
Supplies	3,609	3,421
Miscellaneous	324	-
Payments to other districts	452,430	-
	<u>457,968</u>	<u>8,436</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Speech pathology services:		
Purchased services	\$ 1,275	\$ 1,356
Supplies	4,366	3,878
Miscellaneous	378	-
Payments to other districts	583,013	-
	<u>589,032</u>	<u>5,234</u>
Social worker services:		
Salaries	985	1,060
Employee benefits	9,958	254
Purchased services	1,432	-
Supplies	2,994	834
Miscellaneous	324	-
Payments to other districts	527,550	-
	<u>543,243</u>	<u>2,148</u>
Teacher consultant services:		
Employee benefits	-	94
Supplies	353	827
Miscellaneous	270	-
Payments to other districts	485,842	-
	<u>486,465</u>	<u>921</u>
Total pupil services	3,704,285	1,390,645
Instructional staff services:		
Improvement of instruction:		
Salaries	335,483	271,067
Employee benefits	84,834	102,116
Purchased services	133,177	129,811
Supplies	108,684	91,391
Capital outlay	3,419	-
Miscellaneous	810	5,550
	<u>666,407</u>	<u>599,935</u>
Library:		
Salaries	663,253	653,483
Employee benefits	376,611	353,014
Purchased services	11,121	3,007
Supplies	171,744	171,887
Miscellaneous	22,396	8,626
	<u>1,245,125</u>	<u>1,190,017</u>
Educational television:		
Salaries	25,239	28,285
Employee benefits	20,653	19,359
Purchased services	426	444
Supplies	2,281	1,855
Capital outlay	19,497	10,443
Miscellaneous	20	-
	<u>68,116</u>	<u>60,386</u>
Instructional technology:		
Salaries	115,508	104,347
Employee benefits	95,575	75,123
Supplies	630	273
Miscellaneous	2,329	-
	<u>214,042</u>	<u>179,743</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Supervision and direction of instruction:		
Salaries	\$ 360,238	\$ 301,463
Employee benefits	176,028	149,375
Purchased services	15,962	14,407
Supplies	7,262	15,724
Capital outlay	15,215	3,042
Miscellaneous	160	295
	<u>574,865</u>	<u>484,306</u>
Total instructional staff services	2,768,555	2,514,387
General administrative services:		
Board of education:		
Employee benefits	-	71
Purchased services	146,764	128,403
Supplies	25,675	19,332
Capital outlay	10,620	11,122
Miscellaneous	9,578	8,940
	<u>192,637</u>	<u>167,868</u>
Executive administration:		
Salaries	266,314	259,102
Employee benefits	92,113	84,282
Purchased services	21,979	37,086
Supplies	6,033	4,236
Capital outlay	1,923	-
Miscellaneous	5,412	7,839
	<u>393,774</u>	<u>392,545</u>
Total general administrative services	586,411	560,413
School administrative services:		
Office of the principal:		
Salaries	2,645,324	2,492,215
Employee benefits	1,305,850	1,167,591
Purchased services	42,306	149,338
Supplies	25,093	32,521
Capital outlay	2,851	1,541
Miscellaneous	12,432	13,205
	<u>4,033,856</u>	<u>3,856,411</u>
Total school administrative services	4,033,856	3,856,411
Business services:		
Fiscal services:		
Salaries	474,298	505,436
Employee benefits	232,484	237,534
Purchased services	51,088	52,886
Supplies	14,891	13,556
Capital outlay	243	4,101
Miscellaneous	664	280
Pyaments to other districts	122	-
	<u>773,790</u>	<u>813,793</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Document center:		
Salaries	\$ 49,783	\$ 48,524
Employee benefits	40,441	38,419
Purchased services	74,948	148,495
Supplies	79,218	57,162
Capital outlay	-	1,213
	<u>244,390</u>	<u>293,813</u>
Other business services:		
Miscellaneous	<u>148,709</u>	<u>188,052</u>
Total business services	1,166,889	1,295,658
Operation and maintenance services:		
Operation and maintenance:		
Salaries	1,957,186	2,011,672
Employee benefits	1,196,738	1,186,016
Purchased services	1,176,118	1,203,304
Supplies	1,648,292	1,695,278
Capital outlay	1,216,529	4,789
Miscellaneous	2,760	2,926
	<u>7,197,623</u>	<u>6,103,985</u>
Security services:		
Salaries	309,090	306,417
Employee benefits	209,347	213,045
Purchased services	10,373	8,573
Supplies	(8,758)	(9,264)
Capital outlay	16,135	1,270
	<u>536,187</u>	<u>520,041</u>
Total operation and maintenance services	7,733,810	6,624,026
Pupil transportation services:		
Pupil transportation:		
Salaries	1,377,993	1,367,975
Employee benefits	808,838	807,788
Purchased services	224,823	243,291
Supplies	278,710	353,274
Capital outlay	408,644	399,236
Miscellaneous	5,020	4,465
Payments to other districts	1,371,201	-
Total pupil transportation services	<u>4,475,229</u>	<u>3,176,029</u>
Central services:		
Personnel services:		
Salaries	110,041	101,040
Employee benefits	73,142	67,700
Purchased services	222,939	201,647
Supplies	8,276	7,517
Capital outlay	11,608	227
Miscellaneous	49,755	3,068
	<u>475,761</u>	<u>381,199</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Operational technology services:		
Salaries	\$ 424,431	\$ 388,909
Employee benefits	213,188	185,405
Purchased services	704,887	674,271
Supplies	67,929	27,707
Capital outlay	278,155	231,299
Miscellaneous	1,871	745
	<u>1,690,461</u>	<u>1,508,336</u>
Total central services	2,166,222	1,889,535
Community services:		
Community education, pool and CDL testing:		
Salaries	412,896	439,156
Employee benefits	157,986	149,831
Purchased services	4,678	3,650
Supplies	4,871	6,983
Capital outlay	667	52
Miscellaneous	-	120
	<u>581,098</u>	<u>599,792</u>
Leisure time activities:		
Salaries	313,082	283,120
Employee benefits	130,636	119,676
Purchased services	113,248	80,718
Supplies	53,158	44,861
Capital outlay	1,383	1,329
Miscellaneous	34,462	24,815
	<u>645,969</u>	<u>554,519</u>
Custody and care of children:		
Salaries	713,983	879,743
Employee benefits	193,435	175,947
Purchased services	3,428	3,677
Supplies	63,661	61,249
Capital outlay	13,148	9,167
	<u>987,655</u>	<u>1,129,783</u>
Total community services	2,214,722	2,284,094
Capital outlay:		
Land	258	570,337
Debt service:		
Principal repayment	302,975	369,397
Interest and fiscal charges	80,100	3,539
Total debt service	<u>383,075</u>	<u>372,936</u>
Interdistrict:		
Special education - tuition	-	466,066
Special education - transportation	-	1,133,387
Special education - itinerant services	-	2,205,052
Total interdistrict	<u>-</u>	<u>3,804,505</u>
Total Expenditures	<u><u>\$ 69,790,034</u></u>	<u><u>\$ 65,825,909</u></u>

NONMAJOR FUNDS

ROCKFORD PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	Special Revenue		1990	1997
	Food Service	Athletics		
Assets				
Cash	\$ -	\$ 54	\$ -	\$ -
Cash equivalents, deposits and investments	212,833	4,847	3,525	165,152
Receivables:				
Taxes	-	-	8,432	25,774
Accounts	7,361	-	-	-
Due from other funds	17,228	40,416	48,000	-
Accrued interest	-	-	104	223
Inventory	71,327	-	-	-
Total Assets	\$ 308,749	\$ 45,317	\$ 60,061	\$ 191,149
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,369	\$ 1,607	\$ -	\$ -
Due to other funds	86,559	30,918	-	55,000
Due to other governmental units	-	2,251	-	-
Salaries payable	-	10,541	-	-
Deferred revenue	-	-	8,432	25,774
Total Liabilities	89,928	45,317	8,432	80,774
Fund Balances				
Reserved for debt service	-	-	51,629	110,375
Unreserved:				
Undesignated	218,821	-	-	-
Total Fund Balances	218,821	-	51,629	110,375
Total Liabilities and Fund Balances	\$ 308,749	\$ 45,317	\$ 60,061	\$ 191,149

Debt Service					
2002 (A)	2002 (B)	2005	2006 (A)	2006 (B)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54
134,334	712,429	205,316	2,643	544,313	1,985,392
18,376	5,275	14,274	1,869	5,637	79,637
-	-	-	-	-	7,361
-	-	-	7,000	-	112,644
281	1,530	437	15	1,167	3,757
-	-	-	-	-	71,327
<u>\$ 152,991</u>	<u>\$ 719,234</u>	<u>\$ 220,027</u>	<u>\$ 11,527</u>	<u>\$ 551,117</u>	<u>\$ 2,260,172</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,976
-	-	-	-	-	172,477
-	-	-	-	-	2,251
-	-	-	-	-	10,541
18,376	5,275	14,274	1,869	5,637	79,637
18,376	5,275	14,274	1,869	5,637	269,882
134,615	713,959	205,753	9,658	545,480	1,771,469
-	-	-	-	-	218,821
134,615	713,959	205,753	9,658	545,480	1,990,290
<u>\$ 152,991</u>	<u>\$ 719,234</u>	<u>\$ 220,027</u>	<u>\$ 11,527</u>	<u>\$ 551,117</u>	<u>\$ 2,260,172</u>

ROCKFORD PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2007

	Special Revenue			
	Food Service	Athletics	1990	1996
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ 1,049,543	\$ -
Interest earnings	11,018	319	23,935	221
Sales and admissions	1,574,672	416,829	-	-
Total local sources	1,585,690	417,148	1,073,478	221
State sources	93,418	-	-	-
Federal sources	368,434	-	-	-
Total Revenues	2,047,542	417,148	1,073,478	221
Expenditures				
Current:				
Food service	1,942,796	-	-	-
Athletics	-	1,150,344	-	-
Debt service:				
Principal repayment	-	-	293,664	-
Interest and fiscal charges	-	-	857,855	-
Total Expenditures	1,942,796	1,150,344	1,151,519	-
Excess (Deficiency) of Revenues Over Expenditures	104,746	(733,196)	(78,041)	221
Other Financing Sources (Uses)				
Transfers in	-	733,196	-	-
Transfers out	-	-	-	(109,024)
Total Other Financing Sources (Uses)	-	733,196	-	(109,024)
Net Change in Fund Balances	104,746	-	(78,041)	(108,803)
Fund Balances, July 1	114,075	-	129,670	108,803
Fund Balances, June 30	\$ 218,821	\$ -	\$ 51,629	\$ -

Debt Service						
1997	2002 (A)	2002 (B)	2005	2006 (A)	2006 (B)	Total
\$ 1,740,527	\$ 2,421,733	\$ 654,593	\$ 1,864,240	\$ 209,927	\$ 4,532,868	\$12,473,431
55,684	44,871	11,259	19,701	2,097	81,545	250,650
-	-	-	-	-	-	1,991,501
1,796,211	2,466,604	665,852	1,883,941	212,024	4,614,413	14,715,582
-	-	-	-	-	-	93,418
-	-	-	-	-	-	368,434
1,796,211	2,466,604	665,852	1,883,941	212,024	4,614,413	15,177,434
-	-	-	-	-	-	1,942,796
-	-	-	-	-	-	1,150,344
1,950,000	1,320,000	10,000	1,110,333	205,000	3,420,000	8,308,997
390,613	1,419,466	586,677	1,676,180	107,181	653,426	5,691,398
2,340,613	2,739,466	596,677	2,786,513	312,181	4,073,426	17,093,535
(544,402)	(272,862)	69,175	(902,572)	(100,157)	540,987	(1,916,101)
-	-	-	-	104,531	108,993	946,720
-	-	-	-	-	(104,500)	(213,524)
-	-	-	-	104,531	4,493	733,196
(544,402)	(272,862)	69,175	(902,572)	4,374	545,480	(1,182,905)
654,777	407,477	644,784	1,108,325	5,284	-	3,173,195
\$ 110,375	\$ 134,615	\$ 713,959	\$ 205,753	\$ 9,658	\$ 545,480	\$ 1,990,290

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 1,604,002	\$ 1,585,690	\$ (18,312)
State sources	94,711	93,418	(1,293)
Federal sources	353,447	368,434	14,987
Total Revenues	<u>2,052,160</u>	<u>2,047,542</u>	<u>(4,618)</u>
Expenditures			
Current:			
Food service	<u>1,943,423</u>	<u>1,942,796</u>	<u>627</u>
Net Change in Fund Balances	108,737	104,746	(3,991)
Fund Balances, July 1	<u>114,075</u>	<u>114,075</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 222,812</u></u>	<u><u>\$ 218,821</u></u>	<u><u>\$ (3,991)</u></u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 392,813	\$ 417,148	\$ 24,335
Expenditures			
Current:			
Athletics	1,123,512	1,150,344	(26,832)
Excess (Deficiency) of Revenues Over Expenditures	(730,699)	(733,196)	(2,497)
Other Financing Sources			
Transfers in	730,699	733,196	2,497
Net Change in Fund Balances	-	-	-
Fund Balances, July 1	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 212,833	\$ 356,867
Accounts receivable	7,361	9,989
Due from other funds	17,228	16,391
Inventory	<u>71,327</u>	<u>21,548</u>
Total Assets	<u><u>\$ 308,749</u></u>	<u><u>\$ 404,795</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 3,369	\$ 774
Due to other funds	86,559	288,492
Salaries payable	<u>-</u>	<u>1,454</u>
Total Liabilities	<u>89,928</u>	<u>290,720</u>
Fund Balances		
Unreserved:		
Undesignated	<u>218,821</u>	<u>114,075</u>
Total Liabilities and Fund Balances	<u><u>\$ 308,749</u></u>	<u><u>\$ 404,795</u></u>

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on investments	\$ 11,018	\$ 7,002
Sales and admissions:		
Children's lunches	799,267	812,779
Adult lunches	19,105	17,635
Ala carte	649,820	678,667
Special services	92,011	85,996
Refunds	14,469	4,789
	<u>1,574,672</u>	<u>1,599,866</u>
Total local sources	1,585,690	1,606,868
State sources	93,418	91,502
Federal sources	<u>368,434</u>	<u>332,905</u>
Total Revenues	<u>2,047,542</u>	<u>2,031,275</u>
Expenditures		
Current:		
Food service:		
Salaries	558,500	540,484
Employee benefits	353,419	331,904
Purchased services	124,095	189,108
Supplies	890,198	918,049
Capital outlay	12,552	6,491
Miscellaneous	4,032	3,888
	<u>1,942,796</u>	<u>1,989,924</u>
Total Expenditures	1,942,796	1,989,924
Net Change in Fund Balances	104,746	41,351
Fund Balances, July 1	<u>114,075</u>	<u>72,724</u>
Fund Balances, June 30	<u><u>\$ 218,821</u></u>	<u><u>\$ 114,075</u></u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 54	\$ 72
Cash equivalents, deposits and investments	4,847	4,341
Due from other funds	<u>40,416</u>	<u>47,733</u>
Total Assets	<u><u>\$ 45,317</u></u>	<u><u>\$ 52,146</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,607	\$ 831
Due to other funds	30,918	32,250
Due to other governmental units	2,251	2,484
Salaries payable	<u>10,541</u>	<u>16,581</u>
Total Liabilities	<u>45,317</u>	<u>52,146</u>
Fund Balances		
Unreserved:		
Undesignated	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 45,317</u></u>	<u><u>\$ 52,146</u></u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on investments	\$ 319	\$ 349
Sales and admissions:		
Gate receipts	161,747	178,847
Sports fees and charges	212,582	197,093
Donations	41,300	20,086
Other revenue	1,200	25,647
	<u>416,829</u>	<u>421,673</u>
Total Revenues	<u>417,148</u>	<u>422,022</u>
Expenditures		
Current:		
Athletics:		
Salaries	650,771	618,094
Employee benefits	206,010	172,903
Purchased services	127,750	117,447
Supplies	47,791	108,090
Capital outlay	91,179	25,726
Miscellaneous	26,843	18,781
	<u>1,150,344</u>	<u>1,061,041</u>
Total Expenditures	<u>1,150,344</u>	<u>1,061,041</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(733,196)</u>	<u>(639,019)</u>
Other Financing Sources		
Transfers in	<u>733,196</u>	<u>639,019</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DEBT SERVICE FUNDS

To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

ROCKFORD PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2007

	<u>1990</u>	<u>1997</u>	<u>2002 (A)</u>	<u>2002 (B)</u>
Assets				
Cash equivalents, deposits and investments	\$ 3,525	\$ 165,152	\$ 134,334	\$ 712,429
Taxes receivables	8,432	25,774	18,376	5,275
Due from other funds	48,000	-	-	-
Accrued interest	104	223	281	1,530
Total Assets	<u>\$ 60,061</u>	<u>\$ 191,149</u>	<u>\$ 152,991</u>	<u>\$ 719,234</u>
 Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ 55,000	\$ -	\$ -
Deferred revenue	8,432	25,774	18,376	5,275
Total Liabilities	<u>8,432</u>	<u>80,774</u>	<u>18,376</u>	<u>5,275</u>
 Fund Balances				
Reserved for debt service	<u>51,629</u>	<u>110,375</u>	<u>134,615</u>	<u>713,959</u>
Total Liabilities and Fund Balances	<u>\$ 60,061</u>	<u>\$ 191,149</u>	<u>\$ 152,991</u>	<u>\$ 719,234</u>

2005	2006 (A)	2006 (B)	Totals	
			2007	2006
\$ 205,316	\$ 2,643	\$ 544,313	\$ 1,767,712	3,059,120
14,274	1,869	5,637	79,637	118,728
-	7,000	-	55,000	-
437	15	1,167	3,757	-
<u>\$ 220,027</u>	<u>\$ 11,527</u>	<u>\$ 551,117</u>	<u>\$ 1,906,106</u>	<u>\$ 3,177,848</u>
\$ -	\$ -	\$ -	\$ 55,000	\$ -
14,274	1,869	5,637	79,637	118,728
<u>14,274</u>	<u>1,869</u>	<u>5,637</u>	<u>134,637</u>	<u>118,728</u>
<u>205,753</u>	<u>9,658</u>	<u>545,480</u>	<u>1,771,469</u>	<u>3,059,120</u>
<u>\$ 220,027</u>	<u>\$ 11,527</u>	<u>\$ 551,117</u>	<u>\$ 1,906,106</u>	<u>\$ 3,177,848</u>

ROCKFORD PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	1990	1996	1997	2002 (A)
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 1,033,879	\$ -	\$ 1,713,489	\$ 2,385,870
Industrial facilities taxes	13,290	-	22,026	30,669
Delinquent property taxes	856	-	2,306	1,740
Other taxes	43	-	92	78
Interest on delinquent taxes	1,475	-	2,614	3,376
	<u>1,049,543</u>	<u>-</u>	<u>1,740,527</u>	<u>2,421,733</u>
Interest earnings:				
Interest on investments	23,935	221	55,684	44,871
Other local sources:				
Refunds of expenditures	-	-	-	-
State sources:				
State school aid	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,073,478</u>	<u>221</u>	<u>1,796,211</u>	<u>2,466,604</u>
Expenditures				
Debt service:				
Principal repayment	293,664	-	1,950,000	1,320,000
Interest and fiscal charges:				
Interest expense	856,336	-	390,000	1,418,929
Paying agent fees	1,375	-	300	250
Tax refunds	144	-	313	287
Bond issuance costs	-	-	-	-
Underwriter's discount	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,151,519</u>	<u>-</u>	<u>2,340,613</u>	<u>2,739,466</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(78,041)</u>	<u>221</u>	<u>(544,402)</u>	<u>(272,862)</u>
Other Financing Sources (Uses)				
Refunding bond proceeds	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	-	-	-
Transfers in	-	(109,024)	-	-
Payments to escrow agent	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(109,024)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(78,041)</u>	<u>(108,803)</u>	<u>(544,402)</u>	<u>(272,862)</u>
Fund Balances, July 1	<u>129,670</u>	<u>108,803</u>	<u>654,777</u>	<u>407,477</u>
Fund Balances, June 30	<u><u>\$ 51,629</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 110,375</u></u>	<u><u>\$ 134,615</u></u>

2002 (B)	2005	2006 (A)	2006 (B)	Totals	
				2007	2006
\$ 644,908	\$ 1,836,398	\$ 206,778	\$ 4,469,529	\$ 12,290,851	\$ 11,425,888
8,290	23,606	2,658	57,453	157,992	154,712
473	1,672	185	-	7,232	9,379
6	-	8	-	227	12,913
916	2,564	298	5,886	17,129	15,917
654,593	1,864,240	209,927	4,532,868	12,473,431	11,618,809
11,259	19,701	2,097	81,545	239,313	192,569
-	-	-	-	-	5,284
-	-	-	-	-	63,203
665,852	1,883,941	212,024	4,614,413	12,712,744	11,879,865
10,000	1,110,333	205,000	3,420,000	8,308,997	18,390,938
586,353	1,675,566	107,151	653,200	5,687,535	5,539,563
250	226	-	226	2,627	2,500
74	388	30	-	1,236	2,068
-	-	-	-	-	107,093
-	-	-	-	-	74,764
596,677	2,786,513	312,181	4,073,426	14,000,395	24,116,926
69,175	(902,572)	(100,157)	540,987	(1,287,651)	(12,237,061)
-	-	-	-	-	15,740,000
-	-	-	-	-	333,806
-	-	104,531	108,993	213,524	-
-	-	-	(104,500)	(213,524)	-
-	-	-	-	-	(2,290,885)
-	-	104,531	4,493	-	13,782,921
69,175	(902,572)	4,374	545,480	(1,287,651)	1,545,860
644,784	1,108,325	5,284	-	3,059,120	1,513,260
\$ 713,959	\$ 205,753	\$ 9,658	\$ 545,480	\$ 1,771,469	\$ 3,059,120

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

ROCKFORD PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2007

	<u>Balances</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2007</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 534,063</u>	<u>\$ 1,270,563</u>	<u>\$ 1,231,740</u>	<u>\$ 572,886</u>
Liabilities				
Due to student groups	<u>\$ 534,063</u>	<u>\$ 1,270,563</u>	<u>\$ 1,231,740</u>	<u>\$ 572,886</u>

OTHER INFORMATION

ROCKFORD PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	County of Kent				
	City of Rockford	Algoma	Cannon	Townships Courtland	Grattan
Taxable Valuations					
Operating	\$ 95,700,316	\$ 47,540,598	\$ 57,148,133	\$ 21,838,611	\$ 1,874,363
Recreation/Debt Service	204,633,265	163,236,962	506,413,635	170,001,241	19,636,565
Rates (Mills)					
General Fund - Operating					
General Fund - Recreation					
1990 Debt Service Fund					
1997 Debt Service Fund					
2002(A) Debt Service Fund					
2002(B) Debt Service Fund					
2005 Debt Service Fund					
2006(A) Debt Service Fund					
2006(B) Debt Service Fund					
Taxes Levied 2006 Rolls					
General Fund - Operating	\$ 1,709,999	\$ 855,729	\$ 1,028,550	\$ 393,110	\$ 33,738
General Fund - Recreation	202,871	162,397	503,831	169,114	19,536
1990 Debt Service Fund	146,312	116,714	362,081	121,550	14,040
1997 Debt Service Fund	242,488	193,434	600,093	201,450	23,239
2002(A) Debt Service Fund	337,641	269,338	835,572	280,500	32,399
2002(B) Debt Service Fund	91,265	72,803	225,857	75,820	8,758
2005 Debt Service Fund	259,882	207,309	643,138	215,900	24,938
2006(A) Debt Service Fund	29,263	23,343	72,418	24,310	2,808
2006(B) Debt Service Fund	632,514	504,560	1,565,304	525,469	60,695
	<u>3,652,235</u>	<u>2,405,627</u>	<u>5,836,844</u>	<u>2,007,223</u>	<u>220,151</u>
Taxes Uncollected 2006 Rolls					
General Fund - Operating	11,972	139	1,106	582	-
General Fund - Recreation	661	11	70	32	-
1990 Debt Service Fund	475	9	43	23	-
1997 Debt Service Fund	788	14	72	38	-
2002(A) Debt Service Fund	1,098	19	100	54	-
2002(B) Debt Service Fund	297	6	27	14	-
2005 Debt Service Fund	845	15	77	42	-
2006(A) Debt Service Fund	96	2	9	5	-
2006(B) Debt Service Fund	2,056	37	187	100	-
	<u>18,288</u>	<u>252</u>	<u>1,691</u>	<u>890</u>	<u>-</u>
Taxes Collected 2006 Rolls					
General Fund - Operating	1,698,027	855,590	1,027,444	392,528	33,738
General Fund - Recreation	202,210	162,386	503,761	169,082	19,536
1990 Debt Service Fund	145,837	116,705	362,038	121,527	14,040
1997 Debt Service Fund	241,700	193,420	600,021	201,412	23,239
2002(A) Debt Service Fund	336,543	269,319	835,472	280,446	32,399
2002(B) Debt Service Fund	90,968	72,797	225,830	75,806	8,758
2005 Debt Service Fund	259,037	207,294	643,061	215,858	24,938
2006(A) Debt Service Fund	29,167	23,341	72,409	24,305	2,808
2006(B) Debt Service Fund	630,458	504,523	1,565,117	525,369	60,695
	<u>3,633,947</u>	<u>2,405,375</u>	<u>5,835,153</u>	<u>2,006,333</u>	<u>220,151</u>
Delinquent Taxes Collected					
General Fund	2,940	23	4,724	1,852	-
1990 Debt Service Fund	157	3	253	96	-
1997 Debt Service Fund	515	2	547	183	-
2002(A) Debt Service Fund	329	2	503	189	-
2002(B) Debt Service Fund	179	8	129	49	-
2005 Debt Service Fund	473	35	686	294	-
2006(A) Debt Service Fund	34	1	54	19	-
	<u>\$ 4,627</u>	<u>\$ 74</u>	<u>\$ 6,896</u>	<u>\$ 2,682</u>	<u>\$ -</u>

(Continued)

Oakfield	Plainfield	Total
\$ 686,970	\$ 83,234,067	\$ 308,023,058
5,282,931	377,085,783	1,446,290,382
		18.0000
		0.9949
		0.7150
		1.1850
		1.6500
		0.4460
		1.2700
		0.1430
		3.0910
		27.4949
\$ 12,365	\$ 1,493,941	\$ 5,527,432
5,255	375,163	1,438,167
3,777	269,423	1,033,897
6,260	446,526	1,713,490
8,717	621,746	2,385,913
2,356	168,060	644,919
6,709	478,556	1,836,432
755	53,885	206,782
16,329	1,164,737	4,469,608
62,523	5,072,037	19,256,640
-	2,815	16,614
-	27	801
-	19	569
-	32	944
-	44	1,315
-	2	346
-	34	1,013
-	4	116
-	83	2,463
-	3,060	24,181
12,365	1,491,126	5,510,818
5,255	375,136	1,437,366
3,777	269,404	1,033,328
6,260	446,494	1,712,546
8,717	621,702	2,384,598
2,356	168,058	644,573
6,709	478,522	1,835,419
755	53,881	206,666
16,329	1,164,654	4,467,145
62,523	5,068,977	19,232,459
-	5,849	15,388
-	314	823
-	951	2,198
-	692	1,715
-	95	460
-	172	1,660
-	74	182
\$ -	\$ 8,147	\$ 22,426

ROCKFORD PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	County of Kent				
	City of Rockford	Algoma	Cannon	Townships Courtland	Grattan
Total Taxes Collected					
General Fund - Operating	\$ 1,700,967	\$ 855,613	\$ 1,032,168	\$ 394,380	\$ 33,738
General Fund - Recreation	202,210	162,386	503,761	169,082	19,536
1990 Debt Service Fund	145,994	116,708	362,291	121,623	14,040
1997 Debt Service Fund	242,215	193,422	600,568	201,595	23,239
2002(A) Debt Service Fund	336,872	269,321	835,975	280,635	32,399
2002(B) Debt Service Fund	91,002	72,798	225,884	75,825	8,758
2005 Debt Service Fund	259,037	207,302	643,190	215,907	24,938
2006(A) Debt Service Fund	29,640	23,376	73,095	24,599	2,808
2006(B) Debt Service Fund	630,458	504,524	1,565,171	525,388	60,695
	<u>\$ 3,638,395</u>	<u>\$ 2,405,450</u>	<u>\$ 5,842,103</u>	<u>\$ 2,009,034</u>	<u>\$ 220,151</u>
Taxes Uncollected – June 30, 2007					
General Fund:					
2006	\$ 12,633	\$ 150	\$ 1,176	\$ 614	\$ -
2005	16,322	-	296	394	-
2004	14,511	48	242	-	-
	<u>43,466</u>	<u>198</u>	<u>1,714</u>	<u>1,008</u>	<u>-</u>
1990 Debt Service Fund:					
2006	475	9	43	23	-
2005	920	-	15	24	-
2004	801	2	5	-	-
	<u>2,196</u>	<u>11</u>	<u>63</u>	<u>47</u>	<u>-</u>
1997 Debt Service Fund:					
2006	788	14	72	38	-
2005	1,765	-	28	40	-
2004	3,288	9	29	1	-
	<u>5,841</u>	<u>23</u>	<u>129</u>	<u>79</u>	<u>-</u>
2002(A) Debt Service Fund:					
2006	1,098	19	100	54	-
2005	1,810	-	77	41	-
2004	1,741	5	79	-	-
	<u>4,649</u>	<u>24</u>	<u>256</u>	<u>95</u>	<u>-</u>
2002(B) Debt Service Fund:					
2006	297	6	27	14	-
2005	409	-	15	8	-
2004	496	3	25	-	-
	<u>1,202</u>	<u>9</u>	<u>67</u>	<u>22</u>	<u>-</u>
2005 Debt Service Fund:					
2006	845	15	77	42	-
2005	2,548	18	46	64	-
	<u>3,393</u>	<u>33</u>	<u>123</u>	<u>106</u>	<u>-</u>
2006A Debt Service Fund:					
2006	96	2	9	5	-
2005	187	-	6	4	-
2004	182	-	7	-	-
	<u>465</u>	<u>2</u>	<u>22</u>	<u>9</u>	<u>-</u>
2006B Debt Service Fund:					
2006	2,056	37	187	100	-
	<u>\$ 63,268</u>	<u>\$ 337</u>	<u>\$ 2,561</u>	<u>\$ 1,466</u>	<u>\$ -</u>

Oakfield	Plainfield	Total
\$ 12,365	\$ 1,496,975	\$ 5,526,206
5,255	375,136	1,437,366
3,777	269,718	1,034,151
6,260	447,445	1,714,744
8,717	622,394	2,386,313
2,356	168,132	644,755
6,709	478,617	1,835,700
755	54,053	208,326
16,329	1,164,728	4,467,293
<u>\$ 62,523</u>	<u>\$ 5,077,198</u>	<u>\$ 19,254,854</u>
\$ -	\$ 2,842	\$ 17,415
-	44,880	61,892
-	75,470	90,271
<u>-</u>	<u>123,192</u>	<u>169,578</u>
-	19	569
-	2,010	2,969
-	4,086	4,894
<u>-</u>	<u>6,115</u>	<u>8,432</u>
-	32	944
-	3,856	5,689
-	15,814	19,141
<u>-</u>	<u>19,702</u>	<u>25,774</u>
-	44	1,315
-	3,944	5,872
-	9,364	11,189
<u>-</u>	<u>13,352</u>	<u>18,376</u>
-	2	346
-	1,013	1,445
-	2,960	3,484
<u>-</u>	<u>3,975</u>	<u>5,275</u>
-	34	1,013
-	10,585	13,261
<u>-</u>	<u>10,619</u>	<u>14,274</u>
-	4	116
-	406	603
-	961	1,150
<u>-</u>	<u>1,371</u>	<u>1,869</u>
-	3,257	5,637
<u>\$ -</u>	<u>\$ 181,583</u>	<u>\$ 249,215</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A S AND C O N S U L T A N T S

November 13, 2007

The Board of Education
Rockford Public Schools

The following comments pertain to our audit of the financial records of Rockford Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements with Management.
7. Consultation with Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Rockford Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Rockford Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Rockford Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Rockford Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Rockford Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Rockford Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rockford Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statements of Rockford Public Schools for the year ended June 30, 2007.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$10,584 to record 2006 delinquent personal property taxes receivable and \$98,534 to write off 2003 delinquent personal property taxes uncollected at June 30, 2007.

Debt Service Funds

1. \$8,568 to record 2006 delinquent personal property taxes receivable and \$46,613 to write off 2003 delinquent personal property taxes uncollected at June 30, 2007.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Rockford Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Rockford Public Schools to the Assistant Superintendent of Finance and District accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

In the fall of 2006, the AICPA issued Statement on Auditing Standards No. 112 "Communicating Internal Control Related Matters Identified in an Audit", which requires a written communication from an auditor to an organization's governing board if any weaknesses in internal controls ("control deficiencies") rise to the level of "significant deficiencies" or "material weaknesses" that might effect the integrity of the financial statements. The AICPA significantly broadened the standards as to what might be a significant deficiency and/or material weakness and raised the expectations of auditors to report these control deficiencies, if found. *While we did observe certain control deficiencies in areas of the District's internal control during the course of our audit, we found no significant deficiencies or material weaknesses in internal controls.* The following recommendations relate to our internal control findings:

- We encourage the District to increase its activities in the areas of *segregation/sharing of duties* and *monitoring of internal controls*, both inside the business office (payroll/human resources, cash receipting/depositing, bank reconciliations) and in the cash-type transactions occurring outside the business office (athletics, food service, student activities, childcare, testing, etc.)

- We encourage the District to support the Assistant Superintendent of Finance in furthering his, and other business office personnel's, education in the area of governmental financial statement preparation in compliance with current GAAP and GASB requirements. These are complex and constantly changing requirements that continue to increase and undergo significant modifications.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Rockford Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Other Comments

The Undesignated General Fund balance of the District decreased by \$1,185,549 to \$3,944,102 at June 30, 2007. This balance represents approximately 5.64 percent of the District's 2007-08 expenditure budget, down from 7.60 percent at June 30, 2006. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Rockford Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

This communication is intended solely for the information and use of the Rockford Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Rockford Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldine, Nichols & Carter, P.C.

Certified Public Accountants